

Message Text

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PAGE 01 STATE 036369

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FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA IMMEDIATE

C O N F I D E N T I A L STATE 036369

EXDIS

E.O. 11652: GDS

TAGS:EAIR, MARR, MILI, CA, NATO

SUBJECT: STATUS OF CANADIAN PURCHASE OF LOCKHEED LRPA'S

REF: OTTAWA 559

1. WE APPRECIATE EMBASSY REPORT IN REFTEL ON ALLEGED FINANCIAL PROBLEMS ASSOCIATED WITH SALE OF LOCKHEED ORION LRPA'S TO GOC. AS EMBASSY AWARE, THIS CONTRACT IS BETWEEN LOCKHEED AND GOC AND IS A COMMERCIAL TRANSACTION NOT INVOLVING FMS. CONSEQUENTLY, USG IS NOT DIRECTLY INVOLVED IN TRANSACTION ALTHOUGH WE HAVE STRONGLY SUPPORTED CANADIAN DECISION TO PURCHASE LRPA FROM U.S. SOURCES. OUR PRESENT POSITION IS THAT WE HOPE LOCKHEED AND GOC WILL BE ABLE TO IRON OUT FINANCIAL TERMS SO THAT SALE MAY BE CONSUMMATED. IN RESPONSE TO REFTEL'S REQUEST FOR GUIDANCE, WE SEE NO NEED FOR FURTHER ACTION BY EMBASSY AT THIS TIME IN LIGHT OF ONGOING DISCUSSIONS BETWEEN LOCKHEED AND GOC OFFICIALS NOTED BELOW.

2. FYI - WE UNDERSTAND FROM CANADIAN EMBASSY THAT MEETING BETWEEN LOCKHEED AND GOC OFFICIALS IN EARLY JANUARY TO
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PAGE 02 STATE 036369

SIGN LRPA CONTRACT FOUNDERED OVER MISUNDERSTANDING

REGARDING FINANCIAL ARRANGEMENTS I.E., WHETHER LOCKHEED
OR GOC WOULD OBTAIN NECESSARY "BRIDGE" FINANCING REQUIRED

BECAUSE OF LACK OF GOC DEFENSE FUNDS UNTIL FISCAL YEAR
BEGINNING APRIL 1, 1977. BOTH PARTIES ARE MEETING NOW ON
WEST COAST TO ATTEMPT TO ARRANGE INTERIM AGREEMENT (POSSI-
BLY DOLLARS 10.15 MILLION PAYMENT TO LOCKHEED) TO PROTECT
LOCKHEED PRICE PROPOSAL AND PRESUMABLY ALLOW MORE TIME
TO OBTAIN NECESSARY "BRIDGE" FINANCING.

3. CANADIAN EMBASSY IS FRANK TO SAY THAT GOC IS
CONCERNED OVER FOLLOWING RECENT DEVELOPMENTS RELATING
TO LOCKHEED AND LRPA SALE:

(A). REPORTS OF CANCELLATION BY JAPAN OF PROPOSED
LOCKHEED ORION PURCHASE FOR WHICH CANADIAN COMPANIES
WOULD HAVE BEEN PRODUCING COMPONENTS.

(B). GAO REPORT ON LOCKHEED'S FINANCIAL SITUATION AND
RELATED QUESTION OF USG GUARANTEED LOAN TO LOCKHEED OR,
SIMPLY PUT "WILL LOCKHEED GO UNDER?"

(C) QUESTIONS IN CANADA ABOUT RECENT REVELATION OF
LOCKHEED PAYMENTS TO FOREIGN OFFICIALS TO OBTAIN
CONTRACTS ALTHOUGH NOTHING SO FAR HAS IMPLICATED ANY
CANADIANS.

4. ALTHOUGH CANADIAN EMBASSY SEEMED GUARDEDLY OPTIMIS-
TIC THAT ONGOING LOCKHEED-GOC DISCUSSION MIGHT LEAD TO
AN INTERIM AGREEMENT, IT UNDERScoreD GOC SENSITIVITY
ABOUT ENTIRE SUBJECT BY NOTING THAT AS OF TODAY, IN
CANADIAN EMBASSY, ONLY AMBASSADOR WARREN WAS TO PURSUE
THIS MATTER WITH U.S. OFFICIALS. END FYI.

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